THE WESTERN HEMISPHERE

TRADE TAKES A FRONT ROW SEAT

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At the close of the last century, we saw increasing market liberalization throughout the developing world. Nowhere was this more evident than in the Western Hemisphere. The growing number of bilateral and multilateral trade agreements in our hemisphere precipitated a virtual explosion in trade. The Western Hemisphere now accounts for 45 percent of U.S. merchandise exports, and it more than doubled in the last decade, a rate more than twice as fast as our export growth to the rest of the world. This represents twice our export sales to the EU and more than 5 times those to Japan. For 2000, total U.S. exports to the Western Hemisphere totaled approximately $350 billion. Of course the largest share and fastest growth can be attributed to NAFTA. But, after a decade of democracy, economic reform and market liberalization, U.S. export growth to Latin America (excluding Mexico) still outperformed export growth outside this hemisphere by two-thirds. For example,

- In 2000 U.S. exports to the Western Hemisphere were two-and-one-half times our exports to Japan, China and the ASEAN countries combined;

- Over the past ten years, the U.S. has consistently recorded trade surpluses with key countries of the region such as Argentina and Brazil. Furthermore, since the early 1990's, the U.S. moved from a trade deficit with the countries of the Caribbean to more than a $2.5 billion trade surplus.

However, the importance of the hemisphere to U.S. commercial interests is evident on the investment side of the commercial equation as well.

- U.S. foreign direct investment (FDI) in Latin America and the Caribbean increased by more than 29 percent over the past five years, U.S. FDI in Mexico has increased by more than 50 percent;

- Over the past five years, the increase in U.S. FDI in Argentina has been greater than the increases in U.S. FDI in the UK, Germany, and Japan combined;

These trends have propelled a strong U.S. business interest in concluding a free trade agreement with the region. Virtually all of the Fortune 500 companies have operations in the hemisphere and the United States is the leading foreign investor in the region.

The markets of Latin America and the Caribbean offer the greatest potential for U.S. investment and exports than many of the traditional destinations for U.S. exports. Although the export data for individual Latin American countries may appear no more alluring than Western Europe or Asia, they cannot convey the enormous potential for growth that exists for U.S. exporters and investors in Latin America and the Caribbean. If one examines the dollar value of U.S. exports as a percentage of gross national product, you will see that the U.S. economic presence in Latin America is greater than in most of Western Europe ... and growing.

For example, in 1998, the GNP of France was roughly $1.5 trillion and the GNP of Colombia was roughly $100 billion ... a sizable difference. However, if you look at U.S. exports as a percentage of GNP, our share of the Colombian market is more than three times that of the French market. The analysis holds for our Asian trading partners as well. Our export share of the Japanese market was one-third the size of our Colombian share, while the Japanese economy is more than 40 times the size of the Colombian. Thus, although the Latin American and Caribbean markets may be developing, they are open and receptive to U.S. exports and that our ability to penetrate these markets is greater than many countries in Western Europe and Asia.

Not only are we currently witnessing dramatic increases in U.S. trade with Latin America but the potential exists for the long-term development of trade and investment relationships. The adoption of market-oriented, liberal economic policies and the abandonment of under performing government-regulated industries have created an atmosphere conducive to long-term economic growth and stability in Latin America and Caribbean. The economies of the South, while certainly not perfect, have benefited greatly from increased efforts to privatize government enterprises and to establish increasingly transparent rules and regulations governing international trade and investment. Privatization, increased investment and more stable monetary policies have helped tame inflation, once one of the most significant obstacles to foreign investment in the region.

The United States is positioned, perhaps more so than any other country in the world, to penetrate the markets of the South and avail itself of the opportunities presented there. Geographic proximity as well as cultural and historical ties, have created a predisposition in Latin American and the Caribbean countries to use U.S. products. This predisposition has created, and continues to create, unique opportunities for U.S. exporters to the region. And with the increasing importance of electronic commerce, the potential for capitalizing on this relationship will increase dramatically. For example, domestic online retail sales in Latin America and the Caribbean are expected to top $8 billion by 2003 — a small, but increasingly important market development.

The Western Hemisphere is a primary focus of President Bush's free trade message. The President has highlighted this year as the beginning of the "Century of the Americas" and trade relations figure prominently in this equation. On the administration's short list of immediate trade priorities are several involving the Western Hemisphere — comprehensive free trade negotiations with Chile, a reinvigorated process for the Free Trade Area of the Americas (FTAA) following up from the Summit of the Americas in April and renewal of the Andean Trade Preference Act. In addition, the President has made it clear that we are in a new era of partnership with Mexico.

Commerce Secretary Don Evans, advancing the President's focus on the Americas, has already taken two trips in the hemisphere, touting the virtues of free trade at key forums in Buenos Aires and Quebec City. At these meetings, Secretary Evans met with Latin American and Caribbean counterparts to emphasize the importance this Administration places on its trade relationship with hemispheric partners. Secretary Evans has now met with representatives from all 33 countries in the Western Hemisphere.

Establishing personal ties with Latin American and Caribbean leaders is critical to ensuring that the Administration can achieve its ambitious trade priorities. Too often during the 1990s, U.S. businesses found themselves on the outside, looking in, watching as their goods lost out to competitors enjoying preferential trading status. At present there are approximately 130 free trade agreements operating worldwide; almost 1 in 4 are located in the Western Hemisphere. The United States is party to only two. Achieving the U.S.-Chile FTA will be a first step in redressing this situation. Negotiation of a free trade agreement with Chile will help level the playing field for U.S. firms operating in Chile. The successful conclusion of the FTAA will do the same for American companies with the rest of the hemisphere.

U.S. & Foreign Commercial Service

Carlos Fedrigotti of Citibank introduces Secretary Evans in advance of his keynote address before the Americas Business Forum.

GUIDE TO TRADE PROGRAMS COVERING THE WESTERN HEMISPHERE

CHILE FTA

- The United States launched bilateral Free Trade talks with Chile in December 2000.

- President Bush has asked for a text to be completed and ready for signature by the end of 2001. In order to meet that deadline, negotiators will meet nearly once a month through the end of the year.

- The fifth round of talks took place in Washington, D.C. on June 11-15, 2001 and a sixth is scheduled for July 23-27, 2001 in Santiago, Chile.

- There are 17 negotiating areas under discussion. The Department of Commerce chairs the negotiating groups covering Electronic Commerce and Anti-Dumping/Countervailing Duties.

- Chile is a small but important market for U.S. goods and services. The United States exported more to Chile last year than to Russia, India or Turkey.

ATPA RENEWAL

- The Andean Trade Preference Act (ATPA) of 1991 provides preferential trade benefits, similar to those granted under the Caribbean Basin Economic Recovery Act, to the four designated beneficiary countries: Bolivia, Colombia, Ecuador and Peru. The Act is scheduled to expire on December 4, 2001.

- The Bush Administration supports a "robust renewal" of the ATPA program as do many members of the U.S. Congress.

- The ATPA provides beneficiary countries reduced duty or duty-free access to the U.S. market for most products except for those excluded by law.

- The primary goal of the renewal is to promote export diversification and broad-based economic development that provides sustainable economic alternatives to drug-crop production in the Andean region. Recent reports show that the ATPA appears to have had an indirect, but positive effect on the drug-control efforts of the beneficiary countries.

U.S. — CARIBBEAN BASIN TRADE PARTNERSHIP ACT (IMPLEMENTATION)

On May 18, 2000, President Clinton signed into law the Trade and Development Act of 2000. This measure includes the U.S.— Caribbean Basin Trade Partnership Act of 2000 (CBTPA).

- CBTPA provides beneficiary countries certain trade benefits similar to Mexico's under the North American Free Trade Agreement (NAFTA). For example, under CBTPA, apparel manufactured in eligible CBI countries from U.S. yarns and fabric, as well as non-textile products previously excluded from the CBI legislation, will enter the United States free of quota and duty.

- The CBTPA forms part of the Administration's comprehensive response to the enormous damage caused by Hurricanes Mitch and Georges to Central America and the Caribbean. By helping the CBI countries to create new jobs and earn additional foreign exchange from exports, this legislation will speed reconstruction and development of this region in the long run.

- The 23 independent countries of the Caribbean Basin region together form the sixth largest export market for U.S. goods, totaling over $19 billion and absorbing 2.5 percent of U.S. exports in 2000.